

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



**CORRECTED
FISCAL NOTE**

HB 419 - SB 510

March 17, 2019

SUMMARY OF BILL: Establishes the *Tennessee Right to Shop Act* to require health insurance carriers to implement an incentive program that provides incentives for enrollees who receive healthcare services from network providers that are paid less than the average allowed amount paid by the carrier for comparable healthcare services.

ESTIMATED FISCAL IMPACT:

On March 15, 2019, a fiscal note was issued for this legislation estimating a fiscal impact as follows:

*Increase State Expenditures - \$401,200/FY19-20
\$802,400/FY20-21 and Subsequent Years*

*Increase Federal Expenditures - \$2,600/FY19-20
\$5,200/FY20-21 and Subsequent Years*

Increase Local Expenditures – Exceeds \$63,000/FY19-20
Exceeds \$126,000/FY20-21 and Subsequent Years**

Due to an incorrect assumption regarding the *Act's* applicability to Benefits Administration, this impact was in error. The estimated fiscal impact has been corrected as follows:

(CORRECTED)

NOT SIGNIFICANT

Corrected Assumptions:

- This legislation shall take effect January 1, 2020, and shall apply to all health plans entered into or renewed after January 1, 2020.
- TennCare establishes standard rates for healthcare services provided to its enrollees, and pursuant to Tenn. Code Ann. § 71-5-102, budgets for estimated costs through the General Appropriations Act; therefore, any increase in costs experienced by MCOs will not impact such rates and subsequently, state or federal expenditures related to TennCare plans.

HB 419 - SB 510 (CORRECTED)

- Based on information provided by the Department of Commerce and Insurance (DCI), the DCI can establish rules for the incentive plan, review each incentive plan filing, receive the annual report on incentive plan usage filed by the carriers, prepare an annual report to the General Assembly on the aggregate usage of the of the incentive plans in the state, enforce the requirements of the legislation and assist the State Insurance Committee with the study of incentive programs in other states utilizing existing resources without an increased appropriation or reduced reversion.
- The State Insurance Committee can provide the required report utilizing existing resources without an increased appropriation or reduced reversion.
- Based on information provided by the Department of Mental Health and Substance Abuse Services (DMHSAS), the DMHSAS can provide the required disclosure of fiduciary duties by January 1, 2020 utilizing existing resources without an increased appropriation or reduced reversion.
- Based on information provided by the Department of Health, the proposed legislation can be accommodated within existing resources without an increased appropriation or reduced reversion.

IMPACT TO COMMERCE:

Other Commerce Impact – This legislation is estimated to result in a substantial increase in business expenditures for insurance companies in this state, which may reasonably result in rate increases and subsequently, increased premium collections for such companies; however, any increase in premiums is estimated to be not significant. Notwithstanding any increase in premium collections, insurance companies in this state will experience an increase in business expenditures estimated to exceed \$10,000,000 statewide.

Assumptions:

- The Division of TennCare contacted one of Tennessee’s managed care organizations (MCOs) which utilize a similar commercial product in another state to determine cost estimates of providing this program.
- An increase in one-time costs to the MCO are estimated to be approximately \$4,650,000 and include, but not be limited to the following costs: \$750,000 for IT construction and implementation costs, \$450,000 for portal/website licensing costs, and \$100,000 for annual licensing fees, maintenance, etc.
- Recurring costs to the MCO of approximately \$300,000 for annual licensing fees and system maintenance, etc.
- The effect upon other private insurance carriers will be dependent upon various unknown factors subject to the rates and contractual agreements comprising each individual policy of healthcare.
- Any substantial increase in costs to insurers to provide the program required in this legislation will be offset by an increase in premium rates and subsequently, premium payments paid by policyholders.

- Notwithstanding any increase in premium collections, the net impact to such insurers is unknown, but is reasonably estimated to exceed \$10,000,000 statewide.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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